CITY OF OWOSSO
SPECIAL MEETING OF THE CITY COUNCIL
TUESDAY, JULY 30, 2013
7:00 P.M.

Meeting to be held at City Hall
301 West Main Street

AGENDA

OPENING PRAYER:
PLEDGE OF ALLEGIANCE:
ROLL CALL:

ADDRESSING THE CITY COUNCIL

1. Your comments shall be made during times set aside for that purpose.
2. Stand or raise a hand to indicate that you wish to speak.
3. When recognized, give your name and address and direct your comments and/or questions to any City official in attendance.
4. Each person wishing to address the City Council and/or attending officials shall be afforded one opportunity of up to four (4) minutes duration during the first occasion for citizen comments and questions. Each person shall also be afforded one opportunity of up to three (3) minutes duration during the last occasion provided for citizen comments and questions and one opportunity of up to three (3) minutes duration during each public hearing. Comments made during public hearings shall be relevant to the subject for which the public hearings are held.
5. In addition to the opportunities described above, a citizen may respond to questions posed to him or her by the Mayor or members of the Council, provided members have been granted the floor to pose such questions.

CITIZEN COMMENTS AND QUESTIONS

DISCUSSION ITEMS

1. Retirement System Presentation

2. Historic Facilities Project Director

NEXT MEETING

Monday, August 05, 2013

BOARDS AND COMMISSIONS OPENINGS

Historical Commission – 2, terms expire 12-31-14 & 12-31-15

ADJOURNMENT

The City of Owosso will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon seventy-two (72) hours notice to the City of Owosso. Individuals with disabilities requiring auxiliary aids or services should contact the City of Owosso by writing or calling the following: Amy K. Kirkland, City Clerk, 301 West Main Street, Owosso, MI 48867 or at (989) 725-0500. The City of Owosso Website address is www.ci.owosso.mi.us.

Amy K. Kirkland

From:	Donald D. Crawford
Sent:	Friday, July 19, 2013 4:57 PM
To:	City Council
Cc:	Adam H. Zettel; Amy K. Kirkland; Bill Brown; Donald D. Crawford; Richard C. Williams
Subject:	Preliminary materials for July 30 work session
Attachments:	Historic Facilities Proj Dir - July 2013.doc; Historic Commission budget 7-16-2013.doc; Retirement 2012-12-31 City of Owosso Employees Retirement System 68th Pension Valuation.pdf
Follow Up Flag:	Follow up
Flag Status:	Flagged

Enclosed you will find the revised position description for the part-time museum director along with a budget that is more detail than what appears in the budget document. When the budget document was adopted account 101-000-695.699 appropriation of fund balance was included which was equal to the amount of the proposed mileage. Thus, no action will be required to provide for revenue unless the desire is to enact the mileage. We will have a resolution allocating the funds.

I am attaching a copy of the Gabriel, Roeder Smith & Company employee retirement system actuarial evaluation. We will send out a hard copy next week. The system trustees have not met to review the evaluation. There are a number of questions which will need to be answered as input data differs substantially from what is actual—wage increases, investment returns, and retirements. In the meantime you may want to begin looking it over. O course, we will have to pay to have the analysis made.

Donald D. Crawford
City Manager
City of Owosso
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GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM
SIXTY-EIGHTH ANNUAL ACTUARIAL VALUATION
DECEMBER 31, 2012

CELEBRATING 75 YEARS
GRS 75
SINCE 1938

CONTENTS

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July 11, 2013

The Board of Trustees
City of Owosso Employees Retirement System
Owosso, Michigan

Dear Board Members:

The results of the December 31, 2012 Annual Actuarial Valuation of the City of Owosso Employees Retirement System are presented in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board.

The purposes of the valuation is to measure the System's funding progress, to determine the employer contribution rate for the fiscal year beginning July 1, 2013, and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 25 and No. 27.

This report should not be relied on for any purpose other than the purposes described. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The valuation was based upon information furnished by the City, concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

Mark Buis is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems and are independent of the plan sponsor. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the City of Owosso Employees Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

The signing actuaries are independent of the plan sponsor.

This report replaces our preliminary report, dated May 31, 2013.

Respectfully submitted,

Kenneth G. Alberts

Mark Buis, FSA, MAAA

KGA/MB:dj

SECTION A

VALUATION RESULTS

Contribution Rates

The Retirement System is supported by member contributions, City contributions, and investment income from Retirement System assets.

Contributions are determined by the annual actuarial valuation and are sufficient to:

(1) cover the actuarial cost allocated to the current year by the actuarial cost methods described in Section C (the normal cost); and

(2) finance over a period of future years the actuarial cost not covered by present assets and anticipated future normal costs (unfunded actuarial accrued liability).

Computed contributions for the fiscal year beginning July 1, 2013 are shown on page A-2.

Computed Contributions Expressed as Percents of Annual Pay
For the Fiscal Year Beginning July 1, 2013

Contributions for	General Union	General Non-Union	Police Command	Police Patrol	Fire Dept.	Water Dept.	Sewage Dept.	WWTP Dept.	Total
Funding Method#	AACM	AACM	AACM	EAACM	EAACM	AACM	AACM	AACM	
Number of Active Members	11	13	1	11	17	7	2	7	69
Normal Cost of Benefits									
Age and service pensions	-	-	-	11.98%	14.19%	-	-	-	
Death before retirement pensions	-	-	-	0.54	0.85	-	-	-	
Disability pensions	-	-	-	0.92	1.31	-	-	-	
Future refunds of member contributions	-	-	-	2.42	0.94	-	-	-	
Total	29.58%	39.70%	6.00%	15.86	17.29	40.78%	36.88%	24.30%	
Members' Contributions	6.00	6.00	6.00	8.23	7.00	6.00	6.00	6.00	
City's Normal Cost	23.58	33.70	0.00	7.63	10.29	34.78	30.88	18.30	
Unfunded Actuarial Accrued Liabilities*	N/A	N/A	N/A	-	6.20	N/A	N/A	N/A	
Full Funding Credit*	-	-	-	(3.63)	-	-	-	-	
TOTAL CITY CONTRIBUTIONS - %	23.58%	33.70%	0.00%	4.00%	16.49%	34.78%	30.88%	18.30%	20.24%
- $	$111,545	$214,618	$0	$24,722	$158,884	$113,043	$24,101	$54,475	$701,388

* *Financed over an open 10-year period as a level percent of payroll.*

\# *AACM = Aggregate Actuarial Cost Method; EAACM = Entry Age Actuarial Cost Method*

Valuation Assets and
Actuarial Accrued Liability

In financing the actuarial accrued liabilities, the valuation assets of $30,611,263 were distributed as shown below.

	Present Valuation Assets Applied to			
Reserves for	**Member Actuarial Accrued Liabilities**	**Retired Life Actuarial Liabilities**	**Contingency Reserve**	**Totals**
Employees' Contributions	$ 3,923,399	$	$	$ 3,923,399
Employer Contributions	3,568,911	149,898		3,718,809
Retired Benefit Payments	0	19,386,196	1,273,135	20,659,331
Undistributed Investment Income	2,309,724			2,309,724
Totals	$ 9,802,034	$19,536,094	$1,273,135	$30,611,263

Historical Comparison of Contingency Reserve by Division

Valuation Year	Contingency Reserve: General Union	General Non-Union	Police Command	Police Patrol	Fire Dept.	Water Dept.	Sewage Dept.	WWTP Dept.	Total
2000*	$ 100,818			$ 220,246	$ 467,718	$ 74,409	$ 9,798	$ -	$ 872,989
2001*	148,434			222,868	495,185	69,122	5,357	-	940,966
2002*	183,143			207,161	661,454	73,732	605	-	1,126,095
2003*	213,668			174,762	660,099	99,109	19,348	-	1,166,986
2004*	-			234,935	329,028	138,618	10,985	-	713,566
2005	95,083	$ 139,421	$ -	242,833	630,448	137,971	7,137	-	1,252,893
2006	97,696	155,097	-	209,771	629,568	118,864	2,731	-	1,213,727
2007	102,990	113,945	-	344,481	616,305	152,323	29,939	4,252	1,364,235
2008	102,905	79,228	-	351,453	707,770	153,231	30,660	831	1,426,078
2009	100,950	48,249	-	468,166	697,978	125,354	23,121	-	1,463,818
2010	401,398	-	-	480,114	689,335	100,593	1,778	1,332	1,674,550
2011	419,740	-	-	524,232	650,227	121,611	-	24,822	1,740,632
2011#	314,805	-	-	393,174	487,670	91,208	-	18,617	1,305,474
2012#@	322,108	-	-	481,920	425,067	43,196	844	-	1,273,135

* *Prior to 2005, General Union and General Non-Union were summarized as General for purposes of the actuarial valuation. Prior to 2005, Police Command and Police Patrol were summarized as Police for purposes of the actuarial valuation. For the purpose of this exhibit, the combined General and Police groups pre-2005 have been summarized with General Union and Police Patrol respectively.*

\# *After the release of 1/4 of the contingency reserve as approved by the Board as of 12/31/2011.*

@ *After transfer of $74,000 from WWTP to Sewage.*

Determination of Unfunded Accrued Liability
For Groups Using Entry Age Funding Method

	Police Patrol	Fire Dept.	Total
A. Accrued Liability			
1. For retirees and beneficiaries			
a. Retiree Liability	$ 2,042,336	$ 6,337,546	$ 8,379,882
b. Contingency Reserve	481,920	425,067	906,987
2. For vested terminated members	96,324	0	96,324
3. For pending MERS transfer	0	0	0
4. For present active members			
a. Value of expected benefit payments	2,646,212	4,059,194	6,705,406
b. Value of future normal costs	841,635	1,559,742	2,401,377
c. Active member liability: (a) - (b)	1,804,577	2,499,452	4,304,029
5. Total	4,425,157	9,262,065	13,687,222
B. Present Assets (valuation basis)	4,606,608	8,610,367	13,216,975
C. Unfunded Accrued Liability (Excess Assets) as of 12/31/2012: (A.5) - (B)	(181,451)	651,698	470,247
D. Employer Normal Cost	23,060	48,482	71,542
E. Expected Employer Contribution Payable 6/30/2013	26,132	216,075	242,207
F. Interest Adjustment to 6/30/2013	(6,372)	25,348	18,976
G. Projected Unfunded Accrued Liability (Excess Assets) As of 6/30/2013: (C) + (D) - (E) + (F)	(190,895)	509,453	318,558

Determination of Employer Normal Cost
For Groups Using the Aggregate Funding Method

	General Union	General Non-Union	Police Command	Water Dept.	Sewage Dept.	WWTP Dept.	Total
A. Present Value of Future Benefit Payments							
1. For retirees and beneficiaries	$1,162,249	$ 5,232,933	$ -	$3,360,630	$ 567,964	$ 832,436	$11,156,212
2. For contingency reserve	322,108	-	-	43,196	844	-	366,148
3. For inactive members	-	257,220	137,700	317,760	-	-	712,680
4. For present active members	2,926,541	3,447,529	328,962	1,619,117	318,356	1,658,676	10,299,181
5. Total	4,410,898	8,937,682	466,662	5,340,703	887,164	2,491,112	22,534,221
B. Valuation Assets	3,322,399	6,990,570	414,462	4,222,957	702,598	1,741,302	17,394,288
C. Employer Receivable Contributions							
1. Employer contribution payable 6/30/2013	123,817	228,117	42,951	104,086	28,616	59,244	586,831
2. Discount factor for half year	0.9645	0.9645	0.9645	0.9645	0.9645	0.9645	
3. Employer contribution payable discounted to 12/31/2012	119,420	220,016	41,426	100,389	27,600	57,140	565,991
D. Unfunded Value of Future Benefit Payments							
1. Total: (A.5) - (B)	1,088,499	1,947,112	52,200	1,117,746	184,566	749,810	5,139,933
2. Discounted employer contribution payable (C.3)	119,420	220,016	41,426	100,389	27,600	57,140	565,991
3. Present value of future member contributions	202,336	269,130	15,162	154,390	26,321	175,753	843,092
4. Present value of future required employer contributions: (1) - (2) - (3)	766,743	1,457,966	(4,388)	862,967	130,645	516,917	3,730,850
E. Present Value of Future Pays	3,372,260	4,485,505	252,702	2,573,165	438,686	2,929,220	
F. Employer Normal Cost Adjusted to Fiscal Year: [(D.4) / (E)] x (1.075^0.5)	23.58 %	33.70 %	0.00 %	34.78 %	30.88 %	18.30 %	

Employer Contribution History

Valuation Date December 31	City's Computed Contributions for General, Sewage and WWTP Members	Policemen and Firemen	Water Department Members
1987	4.71 %	17.86 %	4.39 %
1988#(a)	5.32	12.88	6.11
1990#(a)	4.11	10.56	4.20
1991#	3.59	10.55	3.64
1992	2.56	9.51	2.63
1993	3.89	6.74	4.04
1994	4.22	8.23	4.29
1995(a)	0.00	4.78	0.00
1996#	0.00	0.00	0.00
1997	0.00	0.00	0.00
1998	0.00	0.00	0.00
1999#	0.00	0.00	0.00
2000#	0.00	0.00	0.00
2001	0.00	0.00	0.00
2002	0.00	0.00	0.00
2003#	0.00	0.17	0.00
2004#(a)	0.00	0.00	0.00
2005#(a)(b)	2.67	1.30	0.00
2006(a)(b)	5.12	1.54	1.78
2007(b)	2.09	3.88	3.82
2008(b)	9.80	4.77	11.45
2009#(b)	11.80	5.48	7.69
2010(b)	18.41	9.21	18.51
2011(a)(b)	26.67	15.83	23.49
2012#	27.24	11.09	34.78

\# *After benefit provisions changed.*
(a) *After actuarial assumptions and/or methods revised.*
(b) *Closed groups financed using the Aggregate method.*

Comments

Comment A: The System was closed to Union new entrants effective January 1, 2005 and Non-Union new entrants effective January 1, 2006, except for the Police Patrol and Fire groups. Contributions for groups closed to new entrants are based on the Aggregate Actuarial Cost funding method. Contributions for open groups are based on the Entry Age Actuarial Cost funding method. Under the recently adopted GASB statements, systems and employers will be required to report and expense retirement benefits using the Entry Age Actuarial Cost Method for plan years beginning after 2014 (plan) or 2015 (employer). Although there will be other differences between the funding calculations and the reporting calculations, we recommend that the Board consider moving the funding to the Entry Age Actuarial Cost Method for all groups to minimize the differences between the funding calculations and the reporting calculations. We recommend implementing this change with the 2013 annual valuation.

For the Police Patrol and Fire groups, the difference between the accrued assets (net of the Retiree Contingency Reserve) and the accrued liabilities was amortized over a 10-year period as a level percent of payroll. For the Police Patrol, this had the effect of lowering the computed contributions because accrued assets currently exceed accrued liabilities. For Fire, this had the effect of increasing contributions because accrued liabilities exceeded accrued assets.

The City's contribution rate for the Police Patrol group is limited to 4% of covered payroll. This results in a calculated member rate of 8.23% of payroll for Police Patrol members for the fiscal year beginning July 1, 2013.

Comment B: Experience during the year was more favorable than assumed. The primary sources of favorable experience were:

- Gains related to investment activity (the recognized rate of investment return was 7.95% compared with the assumed rate of investment return of 7.50%);
- Gains related to pay increases (average pay increases for members active at the beginning and end was 1% compared with a 5.2% assumed increase);
- Gains related to turnover (6 members terminated service before eligibility for retirement compared with 2.2 expected terminations);

Gains were partially offset by losses due to retirements (5 members actually retired compared with 1.9 expected) and mortality (less benefits were removed from the rolls than assumed).

In total, the gains resulted in a decrease in the required employer contributions for all groups except Water. Most of the retirement loss occurred in the Water division, accounting for 2 of the 5 actual retirements (the other three were each in a different division).

Comment C: The System currently has a contingency reserve of approximately $1.3 million. We recommend the following reserve transfers for the year ending December 31, 2012:

General Non-Union	$119,468
WWTP Department	30,430
Total	$149,898

Comment D: The Police Command Division is fully funded (as of December 31, 2012) and no employer contribution is required for FY 2014. Future experience losses could result in this division becoming underfunded in the future and resulting in an employer contribution requirement. Consideration should be given to continuing a small contribution to build up a reserve for adverse experience for this division. The Police Patrol division is fully funded (as of December 31, 2012). Assets in excess of the accrued liability were amortized over a 10-year period resulting in a full funding credit. The entire credit was used to lower the member contribution rate. The Fire division is 91% funded. The current amortization period is 10 years.

Comment E: The Board approved releasing one quarter of the contingency reserve as of December 31, 2011. This transfer was still in progress as of the date the asset information was provided to GRS for the December 31, 2012 valuation. GRS, therefore, estimated the effect on the assets reported as of December 31, 2012 based on the amount of the transfer shown in the December 31, 2011 valuation report. None of the contingency reserve was released for the December 31, 2012 valuation.

Comment F: It was discovered this year that a recent WWTP retiree was being paid from the Sewage division assets. We understand that assets will be transferred to correct this issue retroactively. We have included an asset transfer from the WWTP division to the Sewage division of approximately $74,000 as of December 31, 2012 in this valuation. As a result, the experience from last year to this year does not track exactly as expected. Overall results for the entire plan are not significantly different after this adjustment.

Comment G: The Appendix shows the development of the unfunded accrued liability using entry age funding for all groups, including the closed groups currently funded under the aggregate cost method. Under the new Governmental Accounting Standards Board Statements (GASB) No. 67 and No. 68, liabilities that will be reported on the plan sponsors balance sheet must be calculated using the Individual Entry Age Actuarial Cost Method.

Comment H: The only change in plan provisions reflected in this report from the 2011 valuation report is the payout of unused sick time for the Fire employees. This impacted the liability adjustment we applied to Fire final average compensations for redemptions at retirement. All other plan provisions remain unchanged from the prior valuation. Reported pays for Fire members were reduced to back out the one time payout of unused sick time.

Comment I: Page B-11 shows that the Funding Value of Assets is currently scheduled to recognize a loss of $390 thousand in 2013, before accounting for the 2013 investment experience. Unless this amount is offset by experience gains during 2013, there will be upward pressure on contributions next year.

SECTION B

VALUATION DATA

Brief Summary of Benefit Provisions
(December 31, 2012)

Regular Retirement (no reduction factor for age)

Eligibility - General* Non-Union: Age 60 with 10 or more years of service.
General* Union: Age 55 with 25 or more years of service or age 60 with 10 or more years of service.
Police: Age 50 with 25 or more years of service or age 55 with 10 or more years of service.
Fire: Any age with 25 or more years of service or age 55 with 10 or more years of service if hired prior to 6/30/93. Age 50 with 25 or more years of service or age 55 with 10 or more years of service if hired after 6/30/93.

Annual Amount - General* Non-Union: Final average compensation (FAC) times 2.5% for all years of service to a maximum 80% of FAC, effective 7/1/2010.
Fire: FAC times the sum of a) 2.80% for the first 25 years of service plus b) 1.0% for years of service in excess of 25 years to a maximum of 80% FAC.
Police: FAC times 2.80% for all years of service to a maximum 80% of FAC.
General* Union – FAC times 2.50% for all years of service to a maximum of 80% FAC.

Type of Final Average Compensation - Highest 3 consecutive years out of last 10. Some lump sums included.

** Includes WWTP, Water, and Sewage.*

Deferred Retirement (vested benefit)

Eligibility - 10 or more years of service. Benefit begins at age 60.

Annual Amount - Computed as a regular retirement but based upon service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility - No age or service requirements. Must be in receipt of worker's compensation.

Annual Amount - Computed as a regular retirement. Minimum benefit to age 65 is 20% of final average compensation. Upon termination of worker's compensation, additional service credit is granted and benefit is recomputed.

Non-Duty Disability Retirement

Eligibility - 10 or more years of service.

Annual Amount - Computed as a regular retirement. Minimum benefit to age 65 is 20% of final average compensation.

Duty Death Before Retirement

Eligibility - No age or service requirements. Must be in receipt of worker's compensation.

Annual Amount - Refund of accumulated contributions or, upon termination of worker's compensation, a benefit to the spouse, unmarried children under 18 and dependent parents equal to the worker's compensation payment.

Non-Duty Death Before Retirement

Eligibility - 10 or more years of service.

Annual Amount - Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.

Post-Retirement Increases

Annual increase - 1.4% of the base pension for the first 10 years of retirement.

Member Contributions

General, Police Non-Union	6.0% of annual compensation.
Fire	6.0% of annual compensation, 6.5% effective 7/1/2009; 7.0% effective 7/1/2010.
Police Union	City Contribution up to 4.0%; members responsible for any additional contribution requirements.

Membership

General City Union (including WWTP, Water, and Sewage) employees hired on or after January 1, 2005, and General City Non-Union (including WWTP, Water, and Sewage) employees and Police Command Officers hired on or after January 1, 2006 are not covered by this Retirement System.

Retirants and Beneficiaries Comparative Statement

Valuation Date Dec. 31	Added to Rolls No.	Added to Rolls Annual Pensions*	Removed from Rolls No.	Removed from Rolls Annual Pensions	Rolls End of Year No.	Rolls End of Year Annual Pensions	% Incr. in Annual Pensions	Average Pension	Present Value of Pensions	Active Per Retiree	Pensions as a % of Pay
1988	3	$ 61,860	4	$ 2,450	79	$ 442,203	15.5%	$ 5,598	$ 4,570,081	1.4	15.77%
1989	6	64,002	4	14,324	81	491,881	11.2	6,073	5,077,948	1.3	17.62
1990	6	52,582	5	11,392	82	533,071	8.4	6,501	5,528,903	1.3	18.15
1991	4	76,248	3	12,643	83	596,676	11.9	7,189	6,194,711	1.2	19.70
1992	6	59,014	3	25,569	86	630,121	5.6	7,327	6,455,404	1.2	20.41
1993		12,468	2	4,508	84	638,081	1.3	7,596	6,383,541	1.2	19.78
1994	5	29,230	3	4,664	86	662,647	3.8	7,705	6,486,947	1.2	19.72
1995	2	46,143	3	7,064	85	701,726	5.9	8,256	6,918,988	0.8	28.87
1996	2	11,415	7	12,934	80	700,207	(0.2)	8,753	6,743,764	0.8	31.74
1997	2	47,931	2	25,613	80	722,975	3.3	9,037	6,856,333	0.8	29.57
1998	4	22,510	6	60,410	78	685,075	(5.2)	8,783	6,431,181	0.9	27.60
1999	3	96,306	2	2,583	79	778,798	7.7	9,858	7,416,876	0.8	29.81
2000	2	54,935	3	18,350	78	815,383	4.7	10,454	7,807,925	1.3	21.52
2001	8	171,244	4	42,562	82	944,065	15.8	11,513	9,172,050	1.2	24.78
2002	7	119,045	4	32,234	85	1,030,876	9.2	12,128	10,126,061	1.2	26.84
2003	1	17,294	10	31,998	76	1,016,172	(1.4)	13,371	9,841,684	1.3	25.45
2004	4	115,408	6	33,752	74	1,097,828	8.0	14,836	10,609,898	1.3	27.47
2005	3	62,062	3	22,700	74	1,137,190	3.6	15,367	10,861,853	1.3	27.32
2006	5	207,589	2	2,865	77	1,341,914	18.0	17,427	13,043,591	1.2	34.12
2007	3	125,438	7	37,612	73	1,429,740	6.5	19,585	13,864,399	1.2	35.28
2008	1	63,419	4	33,043	70	1,460,116	2.1	20,859	14,063,424	1.3	36.12
2009	4	95,927	2	29,187	72	1,526,856	4.6	21,206	14,688,020	1.2	38.63
2010	4	252,797	1	22,320	75	1,757,333	15.1	23,431	16,795,936	1.0	47.85
2011	4	133,694	3	26,612	76	1,864,415	6.1	24,532	17,718,104	1.0	49.76
2012	6	247,091	4	57,258	78	2,054,248	10.2	26,337	19,536,094	0.9	61.63

* *Includes post retirement increases.*

Retirants and Beneficiaries as of December 31, 2012
Tabulated by Type of Pensions Being Paid

Type of Pensions Being Paid	No.	Annual Pension
Age and Service Pensions		
Regular pension - benefit terminating at death	29	$ 947,795
Option A pension - 10 year certain and life thereafter	1	35,028
Option B pension - joint and last survivor benefit	16	382,991
Option C pension - modified joint and last survivor	9	353,372
Pension to survivor beneficiary of deceased retirant	17	187,110
Total age and service pensions	72	$1,906,296
Casualty Pensions		
Duty disability Regular Pension		
Non-Duty disability Regular Pension	4	$ 119,106
Pension to survivor beneficiary of deceased retirant Non-Duty disability	1	10,190
Pension to survivor beneficiary of deceased member Non-Duty death	1	18,656
Total casualty pensions	6	$ 147,952
Total Pensions Being Paid	78	$2,054,248

Retirants and Beneficiaries as of December 31, 2012
Tabulated by Attained Ages

Attained Age	Age and Service No.	Age and Service Annual Allowances	Casualty No.	Casualty Annual Allowances	Totals No.	Totals Annual Allowances
50 - 54	1	$ 32,399			1	$ 32,399
55 - 59	7	233,859	2	$ 78,598	9	312,457
60 - 64	10	469,372	2	47,695	12	517,067
65 - 69	9	377,854	1	11,469	10	389,323
70 - 74	10	293,041	1	10,190	11	303,231
75	2	74,681			2	74,681
76	4	97,068			4	97,068
77	4	96,400			4	96,400
78	1	1,721			1	1,721
79	2	23,624			2	23,624
80	1	1,649			1	1,649
81	1	10,665			1	10,665
82	3	43,431			3	43,431
83	1	18,616			1	18,616
84						
85	1	16,646			1	16,646
86	3	24,697			3	24,697
87	2	33,149			2	33,149
88	1	13,835			1	13,835
89	4	24,808			4	24,808
90+	5	18,781			5	18,781
Totals	**72**	**$1,906,296**	**6**	**$147,952**	**78**	**$2,054,248**

Average Age at Retirement: 58.6 years.
Average Age Now: 73.5 years.

Inactive Members as of December 31, 2012
Tabulated by Attained Ages

Attained Ages	No.	Annual Deferred Pension
47	1	$ 8,542
50	1	15,428
53	2	31,981
54	1	19,480
56	1	35,672
Totals	**6**	**$111,103**

Average Age Now: 52.6 years

Comparative Statement

Valuation Date Dec. 31	Active Members				Vested Term. Member	Valuation Payroll	Average			
	Gen, Sew & WWTP	P-F	Water	Total			Age	Service	Pay	% Change
1993	51	37	16	104	3	$ 3,226,072	43.3	13.1	$ 31,020	4.5%
1994	53	37	16	106	2	3,360,164	43.4	13.3	31,700	2.2
1995	27	39	3	69	3	2,430,598	43.2	13.6	35,226	11.1
1996	27	32	3	62	4	2,205,901	44.2	14.3	35,579	1.0
1997	30	32	3	65	4	2,444,848	43.9	13.6	37,613	5.7
1998	30	34	3	67	4	2,486,108	44.9	13.9	37,106	(1.3)
1999	30	34	3	67	4	2,612,348	43.6	13.1	38,990	5.1
2000	51	32	15	98	6	3,788,920	44.3	13.7	38,662	(0.8)
2001	48	34	15	97	6	3,809,203	43.2	12.8	39,270	1.6
2002	52	33	15	100	4	3,840,501	43.6	12.7	38,405	(2.2)
2003	50	34	14	98	3	3,993,163	44.8	13.6	40,747	6.1
2004	49	33	15	97	3	3,996,822	44.7	13.3	41,204	1.1
2005	49	34	15	98	3	4,162,066	45.1	13.6	42,470	3.1
2006	45	29	15	89	3	3,933,310	44.9	13.7	44,194	4.1
2007	43	33	14	90	4	4,052,300	47.0	14.9	45,026	1.9
2008	43	32	13	88	4	4,042,417	46.5	14.8	45,937	2.0
2009	40	32	11	83	3	3,952,336	46.4	15.4	47,619	3.7
2010	37	29	10	76	3	3,672,267	47.4	15.9	48,319	1.5
2011	36	31	10	77	3	3,746,852	47.2	15.5	48,660	0.7
2012	**33**	**29**	**7**	**69**	**6**	**3,333,049**	**47.0**	**15.5**	**48,305**	**(0.7)**

Valuation payroll in 2009 was adjusted to account for 27 pay periods during the year.
Valuation payroll in 2012 was adjusted to remove the one-time payout of unused sick leave for Firefighters.

Active Members Added to and Removed from Rolls

Year Ended	Number Added During Year	Terminations During Year								Active Members End of Year
		Normal Retirement		Disabled		Died-in Service		Other Withdrawal		
	A	A	E	A	E	A	E	A	E	
2003	5		4.6		0.2		0.1	7	4.3	98
2004	10	1	4.5		0.2	2	0.2	8	3.9	97
2005	4	2	2.4		0.2		0.2	1	3.5	98
2006	2	3	1.2	2	0.2		0.2	6	3.4	89
2007	6	2	0.9		0.2		0.2	3	2.6	90
2008		1	2.7		0.2		0.2	1	2.7	88
2009		4	3.2		0.2		0.2	1	2.4	83
2010		4	1.2		0.2		0.2	3	2.1	76
2011	7	3	1.3		0.2	1	0.2	2	1.7	77
2012	3	5	1.9		0.2		0.2	6	2.2	69
2003-2012	37	25	23.9	2	2.0	3	1.9	38	28.8	

A represents actual number.
E represents expected number.

General City, Sewage and WWTP Department Members
December 31, 2012
By Attained Age and Years of Service

Attained Age	Years of Service on Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: No.	Totals: Valuation Payroll
30-34			1					1	$ 15,533
35-39			2					2	107,973
40-44					1			1	56,627
45-49			1	2				3	113,035
50-54		1	6			1	1	9	378,690
55-59		1	1	3	2	2	5	14	654,997
60-64			1		1		1	3	117,858
Totals	**0**	**2**	**12**	**5**	**4**	**3**	**7**	**33**	**$1,444,713**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age: 52.4 years
Service: 19.8 years
Annual Pay: $43,779

Policemen and Firemen Members as of December 31, 2012
By Attained Age and Years of Service

Attained	Years of Service on Valuation Date							Totals	
Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	1							1	$ 38,718
25-29	3	1						4	182,388
30-34	1	6						7	363,063
35-39	2	1	1					4	203,303
40-44		1		1				2	122,515
45-49			3		1			4	224,492
50-54			1	1	2	2		6	345,691
55-59		1						1	89,929
60-64									
Totals	**7**	**10**	**5**	**2**	**3**	**2**	**0**	**29**	**$1,570,099**

Valuation payroll in 2012 was adjusted to remove one-time payout of unused sick leave for Firefighters.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age: 39.4 years
Service: 10.4 years
Annual Pay: $54,141

Water Department Members as of December 31, 2012
By Attained Age and Years of Service

Attained Age	Years of Service on Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals No.	Totals Valuation Payroll
45-49		1	1					2	$ 86,962
50-54		2	1					3	136,094
55-59							1	1	48,655
60-64					1			1	46,526
Totals	**0**	**3**	**2**	**0**	**1**	**0**	**1**	**7**	**$318,237**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age: 53.0 years
Service: 15.9 years
Annual Pay: $45,462

Development of Funding Value of Retirement System Assets

Year Ended December 31:	2011	2012	2013	2014	2015
A. Funding Value Beginning of Year	$31,529,473	$29,624,891			
B. Market Value End of Year	28,253,642	29,770,236			
C. Market Value Beginning of Year	30,471,279	28,253,642			
D. Non-Investment Net Cash Flow	(1,405,635)	(1,317,580)			
E. Investment Income					
E1. Market Total: B-C-D	(812,002)	2,834,174			
E2. Amount for Immediate Recognition	2,311,999	2,172,458			
E3. Amount for Phased-In Recognition: E1-E2	(3,124,001)	661,716			
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 x E3	(781,000)	165,429			
F2. First Prior Year	224,687	(781,000)	$ 165,429		
F3. Second Prior Year	522,378	224,687	(781,000)	$ 165,429	
F4. Third Prior Year	(2,777,011)	522,378	224,687	(781,001)	$ 165,429
F5. Total Recognized Investment Gain	(2,810,946)	131,494	(390,884)	(615,572)	165,429
G. Funding Value End of Year: A+D+E2+F5	$29,624,891	$30,611,263			
H. Difference between Market & Funding Value	$ (1,371,249)	$ (841,027)			
I. Funding Value Recognized Rate of Return	(1.62)%	7.95%			
J. Market Value Recognized Rate of Return	(2.73)%	10.27%			
K. Funding Value as a Percent of Market Value	104.9%	102.8%			

The Funding Value of Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. The Funding Value of Assets is unbiased with respect to Market Value. At any time it may be either greater or less than Market Value. If actual and assumed rates of retirement are exactly equal for 3 consecutive years, the Funding Value will become equal to Market Value.

Summary of
Asset Information as of December 31, 2012
Furnished for Valuation

BALANCE SHEET

Valuation Assets (Funding Value)		Reserves	
Cash & Equivalents	$ 138,945	Employees' Contributions	$ 3,923,399
U.S. Notes & Bills	0	Employer Contributions	2,877,782
Short-term Investment Funds	1,973,588	Retired Benefit Payments	20,659,331
Common Stocks	11,363,906	Unallocated Reserves	2,309,724
Preferred Stocks	25,910		
Equities - Other	5,037,989		
Bonds	11,253,903		
Accounts Payable	(24,005)		
Net System Assets (market value)	$29,770,236	Total Reserves	$29,770,236
Funding Value Adjustment	841,027	Funding Value Adjustment	841,027
Total Valuation Assets	$30,611,263	Total Valuation Assets	$30,611,263

REVENUES AND EXPENDITURES

	2012	2011
Valuation Assets - January 1	$29,624,891	$31,529,473
Revenues		
Employees' contributions	232,692	206,829
Employer contributions	550,684	350,599
Net Investment income	2,303,952	(498,947)
Expenditures		
Benefit payments	2,025,462	1,804,132
Refund of member contributions	22,372	158,931
MERS transfer	53,122	0
Valuation Assets - December 31	$30,611,263	$29,624,891

SECTION C

OPERATION OF THE SYSTEM

Financial Objective

Benefit Promises Made Which Must Be Paid For. A retirement system is an orderly means of handing out, keeping track of, and financing contingent pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit they are, in effect, handed an "IOU" which reads: *"The Employees Retirement System promises to pay you one unit of retirement benefits, payments in cash commencing when you retire."*

The principal related financial question is: ***When shall the money required to cover the "IOU" be contributed?*** This year, when the benefit of the member's service is received? Or, some future year when the "IOU" becomes a cash demand?

The Constitution of the State of Michigan is directed to the question:

> *"Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities."*

This Retirement System meets this constitutional requirement by having the following ***Financial Objective: To establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year*** and will not have to be increased for future generations of taxpayers.

Translated into actuarial terminology, a level percent-of-payroll contribution objective means that the contribution rate must be at least:

Normal Cost (the present value of benefits likely to be paid on account of members' service being rendered in the current year).

... plus ...

Interest on the Unfunded Actuarial Accrued Liability (the difference between the actuarial accrued liability and current system assets).

If contributions to the retirement system are less than the preceding amount, the difference, plus investment earnings not realized thereon, will have to be contributed at some later time, or, benefits will have to be reduced, to satisfy the fundamental fiscal equation under which all retirement systems must operate; that is:

B = C + I - E

Benefit payments to any group of members and their beneficiaries cannot exceed the sum of:

Contributions received on behalf of the group
... plus ...

Investment earnings on contributions received and not required for immediate payment of benefits
... minus ...

Expenses incurred in operating the program.

There are retirement systems designed to defer the bulk of contributions far into the future. The present contribution rate for such systems is artificially low. The fact that the contribution rate is destined to increase relentlessly to a much higher level is often ignored. ***This method of financing is prohibited in Michigan by the state constitution***.

A by-product of the level percent-of-payroll contributions objective is the accumulation of invested assets. Investment income on accumulated assets becomes a major contributor to the retirement system, and the amount is directly related to the amount of contributions and investment performance.

Computed Contribution Rate Needed To Finance Benefits. From a given schedule of benefits and from the data furnished, the actuary calculated the contribution rate ***by means of an actuarial valuation*** - the technique of assigning monetary values to the risks assumed in operating a retirement system.

SECTION D

VALUATION METHODS AND ASSUMPTIONS

Actuarial Cost Method

Police Patrol and Fire:

Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age normal cost method having the following characteristics:

- the annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; death or disability;

- each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Assets in excess of Actuarial Accrued Liabilities as well as UAL were amortized by level (principal & interest combined) percent-of-payroll contributions over a period of 10 years.

All Other Groups:

Effective with the 2005 and 2006 valuations, the aggregate cost method was implemented for groups other than Police Patrol and Fire. Under the aggregate cost method the present value of future benefits is reduced by the funding value of assets and the present value of future member contributions. The remainder is financed as a level percent-of-payroll.

Asset Valuation Method

An essential step in the valuation process is comparing valuation assets with computed liabilities. Valuation assets are those assets that are recognized for funding purposes.

Asset valuation methods are distinguished by the timing of the recognition of investment income. Total investment income is the sum of ordinary income and capital value changes. Under a pure market value approach, ordinary investment income and all capital value changes would be recognized immediately. Because of market volatility, use of pure market values in retirement funding can result in volatile contribution rates and unstable financial ratios, contrary to management objectives.

Under the current asset valuation method (see page B-11), assumed investment return is recognized fully each year. Differences between actual and assumed investment return are phased-in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, the funding value will tend to be less than the market value. Conversely, during periods when investment performance is less than the assumed rate, funding value will tend to be greater than market value.

Actuarial Assumptions Used for the Valuations

The contribution requirements and benefit values of the System are calculated by applying actuarial assumptions to the benefit provisions and people information furnished, using the actuarial cost method described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- long-term rates of investment return to be generated by the assets of the Fund
- patterns of pay increases to members
- rates of mortality among members, retirants and beneficiaries
- rates of withdrawal of active members (without entitlement to a retirement benefit)
- rates of disability among members
- the age patterns of actual retirements

The monetary effect of each assumption is calculated for as long as a present covered person survives - - - a period of time which can be as long as a century.

Actual experience of the System will not coincide exactly with assumed experience, regardless of the choice of the assumptions. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year to year fluctuations).

The assumed rate of investment return was 7.5% (net of expenses) a year, compounded annually. This assumption is used to make money payable at one point in time equal in value to an amount of money payable at another point in time. The assumed real rate of return (the net return in excess of the wage inflation rate) was 3.0%. Economic experience during the last 5 years has been as follows:

	Year Ending December 31					5-Year
	2012	**2011**	**2010**	**2009**	**2008**	**Average**
1) Nominal rate of return*	8.0%	(1.6%)	1.8%	1.9%	(0.5%)	1.9%
2) Increase in CPI	1.7	3.0	1.5	2.7	0.1	1.8%
3) Average salary increase	(0.7)	0.7	1.5	3.7	2.0	1.4%
4) Real return						
- investment purposes						0.1%
- funding purposes						0.5%
- assumption						3.0%

* *The nominal rate of return was computed using the approximate formula: i = I divided by 1/2 (A+B-I), where I is realized investment income net of expenses, A is the beginning of year asset value and B is the end of year asset value.*

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

Salary Increase Assumptions
For an Individual Member

Years of Service	Base (Economic)	Merit & Seniority General	Merit & Seniority Police	Merit & Seniority Fire
1	4.5%	0.5%	12.8%	2.8%
2	4.5%	0.5%	5.6%	2.8%
3	4.5%	0.5%	7.6%	0.0%
4	4.5%	0.5%	0.5%	0.0%
5	4.5%	0.5%	0.5%	5.4%
6 & Up	4.5%	0.5%	0.5%	0.5%

If the number of active members remains constant, then the total active member payroll will increase 4.5% annually, the base portion of the individual salary increase assumptions.

The mortality table used was the 1994 Group Annuity Mortality Table.

Sample Attained Ages	Present Value of $1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
45	$147.39	$152.27	35.38	39.68
50	140.93	147.30	30.69	34.89
55	132.64	140.64	26.15	30.17
60	122.40	132.01	21.83	25.59
65	110.53	121.65	17.84	21.28
70	97.62	109.73	14.29	17.30
75	83.48	95.52	11.12	13.60
80	68.62	79.89	8.37	10.31

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. For valuation purposes, pre-retirement deaths are assumed to be non-duty. For disability purposes, the mortality is set forward ten years.

The membership size in this group is not sufficiently large to determine if there is a margin for mortality improvements. However, based upon our experience with a broad cross section of public sector plans similar in nature to this plan, it is our opinion that there is no provision for future mortality improvement in the current mortality assumption.

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	Percent of Eligible Active Members Retiring within Next Year		
	General, Sewage, Water, and WWTP		
	Non-Union	Union	Police/Fire
45 - 54			15%
55	10%	10%	15%
56	10%	10%	15%
57	10%	10%	15%
58	10%	10%	15%
59	10%	10%	20%
60	10%	10%	30%
61	10%	10%	25%
62	30%	30%	25%
63	10%	10%	25%
64	10%	10%	40%
65	100%	100%	100%

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within One Year
ALL	0	12.00%
	1	9.00%
	2	7.00%
	3	5.00%
	4	4.50%
25	5 & Over	9.00%
30		8.70%
35		7.00%
40		4.20%
45		2.00%
50		1.24%
55		1.00%
60		1.00%

Rates of disability were as follows:

	% of Active Members Becoming Disabled Within Next Year	
Sample Ages	General, Water, WWTP & Sewage	Police and Fire
20	0.02%	0.06%
25	0.02%	0.10%
30	0.02%	0.15%
35	0.02%	0.27%
40	0.06%	0.39%
45	0.11%	0.57%
50	0.19%	0.91%
55	0.33%	1.54%
60	0.89%	2.21%
65	0.00%	1.97%

For valuation purposes, pre-retirement disabilities are assumed to be non-duty.

Summary of Assumptions

Marriage Assumption:	100% of males and females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Decrement Timing:	Normal Retirement is assumed to occur at the beginning of the year and all other decrements are assumed to occur at the end of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and mortality decrements do not operate during the first 5 years of service. Disability and turnover do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Loads:	Retirement Present Values were loaded by 10% for Police and Fire and 7% for all others to account for redemption at retirement.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year. New entrant normal cost contributions are applied to the funding of new entrant benefits.
Police Patrol Refund Cost:	Normal cost and accrued liabilities for Police Patrol refunds were based on an estimated long-term member contribution rate of 13%.

Glossary

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability".

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turn-over and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Funding Value of Assets. The value of assets derived by spreading the difference between actual investment return and expected investment return in equal dollar installments over four years. This treatment removes the timing of investment activities from the valuation process.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost". Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability".

SECTION E

DISCLOSURES REQUIRED BY STATEMENTS NO. 25 AND NO. 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

This information is presented in draft form for review by the City's auditor. Please let us know if there are any items that the auditor changes, so that we may maintain consistency with the City's financial statements.

GASB Statement No. 25
Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)		Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2003	$32,112,528	$25,761,222		$(6,351,306)	124.7 %	$3,993,163	-
2004*	32,090,371	25,762,080		(6,328,291)	124.6	3,996,822	-
2005*	32,277,585	27,939,504	^	(4,338,081)	115.5	4,162,066	-
2006*	32,505,226	28,673,197	^	(3,832,029)	113.4	3,933,310	-
2007	33,894,127	28,860,834	**	(5,033,293)	117.4	4,052,300	-
2008	32,567,350	29,857,841		(2,709,509)	109.1	4,042,417	-
2009	32,187,590	30,042,649		(2,144,941)	107.1	3,952,336	-
2010	31,529,473	31,251,375		(278,098)	100.9	3,672,267	-
2011	29,624,891	33,523,677		3,898,786	88.4	3,746,852	104%
2012	30,611,263	34,120,683		3,509,420	89.7	3,333,049	105%

* *Revised actuarial assumptions and/or methods.*

^ *This number includes liabilities from closed groups which were financed using the Aggregate method.*

** *Effective with the 2007 valuation, the Entry Age actuarial cost method was used to develop the actuarial liability for the closed divisions, in accordance with GASB Statement No. 50.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30	Valuation Year Ended December 31	Contribution Rates as Percents of Valuation Payroll	Computed Dollar Contribution Based on Projected Valuation Payroll	Actual Contribution	Percentage Contributed
2005	2003	0.06 %	$ 2,671	$ 2,671	100%
2006	2004	0.00	0	0	100
2007	2005	2.15	95,731	95,731	100
2008	2006	3.20	130,844	130,844	100
2009	2007	3.02	128,117	128,117	100
2010	2008	7.90	328,824	328,824	100
2011	2009	8.50	350,599	350,599	100
2012	2010	14.31	550,684	550,684	100
2013	2011	21.29	829,038		
2014	2012	20.24	701,388		

GASB Statement No. 25
Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2012
Actuarial Cost Method	Entry Age for Police Patrol and Fire Aggregate for Police Management, Water, General, Sewage, and WWTP
Amortization method	Level percent open for Police Patrol and Fire
Remaining amortization period	Open 10 years for Police Patrol and Fire
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	4.5% - 12.8%
Cost-of-living adjustments	1.4% of the base pension for the first 10 years of retirement

** Includes wage inflation of 4.5%.*

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	78
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	69
Total	153

APPENDIX

UNFUNDED ACCRUED LIABILITY USING ENTRY AGE FUNDING METHOD

Development of Unfunded Accrued Liability Using Entry Age Funding Method

	General Union	General Non-Union	Police Command	Police Patrol	Fire Dept.	Water Dept.	Sewage Dept.	WWTP Dept.	Total
A. Accrued Liability									
1. For retirees and beneficiaries									
a. Retiree Liability	$ 1,162,249	$ 5,232,933	$ 0	$ 2,042,336	$ 6,337,546	$ 3,360,630	$ 567,964	$ 832,436	$ 19,536,094
b. Contingency Reserve	322,108	0	0	481,920	425,067	43,196	844	0	1,273,135
2. For vested terminated members	0	257,220	137,700	96,324	0	317,760	0	0	809,004
3. For pending MERS transfer	0	0	0	0	0	0	0	0	0
4. For present active members									
a. Value of expected benefit payments	2,926,541	3,447,529	328,962	2,646,212	4,059,194	1,619,117	318,356	1,658,676	17,004,587
b. Value of future normal costs	500,429	682,334	62,952	841,635	1,559,742	434,845	74,617	345,583	4,502,137
c. Active member liability: (a) - (b)	2,426,112	2,765,195	266,010	1,804,577	2,499,452	1,184,272	243,739	1,313,093	12,502,450
5. Total	3,910,469	8,255,348	403,710	4,425,157	9,262,065	4,905,858	812,547	2,145,529	34,120,683
B. Present Assets (valuation basis)	3,322,399	6,990,570	414,462	4,606,608	8,610,367	4,222,957	702,598	1,741,302	30,611,263
C. Unfunded Accrued Liability (Excess Assets) as of 12/31/2012: (A.5) - (B)	588,070	1,264,778	(10,752)	(181,451)	651,698	682,901	109,949	404,227	3,509,420

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2012

OWOSSO, CITY OF (7607)

Spring, 2013

Owosso, City of

In care of:
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

This report presents the results of the Annual Actuarial Valuation, prepared as of December 31, 2012. The report includes the determination of liabilities and contribution rates resulting from the participation of Owosso, City of (7607) in the Municipal Employees' Retirement System of Michigan ("MERS"). MERS is an independent public nonprofit organization that has partnered with Michigan municipalities for more than 65 years, helping them provide safe, secure retirement plans for their employees. Owosso, City of is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

The purpose of the December 31, 2012 annual actuarial valuation is to (i) measure funding progress, (ii) establish contribution requirements for the fiscal year beginning July 1, 2014, and (iii) provide actuarial information in connection with applicable Governmental Accounting Standards Board statements. This valuation report should not be relied upon for any other purpose.

The valuation uses financial data, plan provision data, and participant data as of December 31, 2012 furnished by MERS' administrative staff. The data was checked for internal and year to year consistency as well as general reasonableness, but was not otherwise audited. The MERS of Michigan Actuarial Services Department does not assume responsibility for the accuracy or completeness of the data used in this valuation.

The actuarial assumptions and methods are adopted by the Retirement Board. For this annual valuation, the Retirement Board adopted some revised actuarial assumptions. Please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:
www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2012AnnualActuarialValuation-Appendix.pdf.
The actuarial assumptions used for this valuation produce results that we believe are reasonable.

To the best of our knowledge, this report is complete and accurate, was prepared in conformity with generally recognized actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and is in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS Plan Document as revised. All of the undersigned are employees of MERS, members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

Please review the Comments on the Investment Markets.

This report was prepared at the request of the Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to related third parties such as the auditor for the municipality).

Please contact MERS at http://www.mersofmich.com/MERS/About-MERS/Contact-Us if you have any questions.

Sincerely,

Alan Sonnanstine, MAAA, ASA
Cathy Nagy, MAAA, FSA
Jim Koss, MAAA, ASA

TABLE OF CONTENTS

Executive Summary

Required Employer Contributions

The computed minimum required employer contributions to the retirement system for the fiscal years beginning July 1, 2014 (2012 Valuation) and July 1, 2013 (2011 Valuation) are as follows:

	Percentage of Payroll		Monthly $ Based on Valuation Payroll	
Division	**2012 Valuation**	**2011 Valuation**	**2012 Valuation**	**2011 Valuation**
01 - AFSCME Council	-	-	$ 194	$ 0
02 - Plc. Cmnd. Emp	14.58%	4.00%	4,431	1,033
Municipality Total			**$ 4,625**	**$ 1,033**

The above employer contribution requirements are in addition to the member contributions, if any, shown in Table 2.

It is important to note that the contribution rates shown above are not expected to remain at present levels indefinitely. If future experience were to match the valuation assumptions exactly, the computed employer rates for divisions that are open to new hires would trend over time toward the long-term cost of system benefits, known as the Normal Cost (see Table 1). For underfunded divisions that are closed to new hires and are not linked to an open division, the computed employer dollar contribution would increase 5%-9% annually for 15 years under the Option B amortization policy (for divisions first reflected as closed in the 2012 valuation). Under the Option A amortization policy, the annual increases would be larger but would only continue for 10 years.

Contribution rates will change from one year to the next as a result of changes in benefit provisions, changes in the actuarial assumptions, and experience of the plan (investment experience and demographic experience).

The 2012 valuation reflects changes in actuarial assumptions and/or methods (see the Appendix). For benefit provision changes see Table 2.

2012 System Experience

Based on the smoothed Actuarial Value of Assets (Valuation Assets), the recognized rate of investment return for MERS overall was 5.4% (less than the 8% actuarial assumption). On average this will result in increases in computed employer contributions.

Demographic experience varied by division. This reflects what actually happened to participants (active members, retirees, and vested former members) compared to what was projected by the actuarial assumptions.

2012 Funded Position

The ratio of the Valuation Assets to the Actuarial Accrued Liability for Owosso, City of in aggregate is 78%; last year's ratio was 79%.

Comments on the Investment Markets

The dramatic price declines across the world financial markets in 2008 led to increased volatility unlike any experienced in decades. From 2009 to 2012, financial markets experienced price appreciation driven largely by government monetary policy and a rebound in economic activities; although at a slower pace than historic past recession recoveries. MERS' portfolio recovered with average annual investment returns of over 10%. While investors world-wide continue to focus on economic concerns and market volatility, equity markets have rebounded, particularly in the United States. The S&P has rebounded 109% from the March 9, 2009 bottom to December 31, 2012.

At this time, MERS maintains the 8% annual return assumption on investments in the belief that over the long term this is achievable. For example, MERS' 30 year return was 9.3% on December 31, 2012. MERS regularly monitors the investment return assumption to make sure it is reasonable compared to long term expectations.

The actuarial value of assets (funding value), used to determine both your funded status and your required employer contribution, is based on a 10-year smoothed value of assets. Only a portion (five-tenths, for 2008 - 2012) of the 2008 investment market losses was recognized in this actuarial valuation report. This reduces the volatility of the valuation results, which affects your required employer contribution and actuarial funded percentage.

As of December 31, 2012 the actuarial value of assets is 114% of market value (down from 121% in 2011). This means that meeting the actuarial assumption in the next few years will require average annual market returns that exceed the 8% investment return assumption.

If the December 31, 2012 valuation results were based on market value on that date instead of 10-year smoothed funding value: i) the funded percent of your entire municipality would be 68% (instead of 78%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2014 would be $ 88,428 (instead of $ 55,500). If the investment markets do not fully make up for the 2008 losses, employer contribution requirements may rise. MERS' investment strategy employs diversification using various asset categories (stocks, bonds, and to a smaller extent real estate, commodities and private equity) to capture as much of the upside return as possible while managing acceptable risk. If contribution increases do become necessary, MERS would attempt to implement them incrementally.

Remember that only five-tenths of the 2008 market losses are reflected in this actuarial valuation report. As was true for past market downturns, MERS expects the markets to continue to rebound. By the time the 2008 market losses would be fully recognized (over the following 5 years), future market gains are expected to partly or fully offset 2008 market losses. This smoothing method is a powerful tool for reducing the volatility of your required employer contributions. However, if the financial markets do not rebound, the result would be gradual increases in your employer contribution requirement over the next 5 years (as described above).

Employer Contribution Details
For the Fiscal Year Beginning July 1, 2014

Table 1

Division	Amort. Period for Unfund. Liab.[4,5]	Employer Contributions[1] Normal Cost	Employer Contributions[1] Unfunded Accrued Liability	Employer Contributions[1] Total Required Employer Contribut.	Blended Employer Contribut.[7]	GASB ARC[6]	Member Contribut. Conversion Factor[2]
Percentage of Payroll							
01 - AFSCME Council	10	-	-	-			
02 - Plc. Cmnd. Emp	26	-2.69%	17.27%	14.58%			
Estimated Monthly Contribution[3]							
01 - AFSCME Council	10	$ 0	$ 194	$ 194			
02 - Plc. Cmnd. Emp	26	(817)	5,248	4,431			0.78%
Total Municipality		**$ (817)**	**$ 5,442**	**$ 4,625**			
Estimated Annual Contribution[3]		**$ (9,804)**	**$ 65,304**	**$ 55,500**			

1 The above Employer contribution requirements are in addition to the Member contributions, if any, shown in Table 2.

2 If Member contributions are increased/decreased by 1.00% of pay, the Employer contribution requirement will decrease/increase by the Member Contribution Conversion Factor.

3 For divisions that are open to new hires, estimated contributions are based on valuation payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts (usually higher). For divisions that will have no new hires, invoices will be based on the above dollar amounts which are based on projected fiscal year payroll. See description of Open Divisions and Closed Divisions in the Appendix.

4 If projected assets exceed projected liabilities as of the beginning of the July 1, 2014 fiscal year, the negative unfunded accrued liability is amortized (spread) over 10 years. This amortization is used to reduce the employer contribution rate. Note that if the overfunding credit is larger than the normal cost, the full credit is shown above but the total contribution requirement is zero. This will cause the displayed normal cost and unfunded accrued liability contributions to not add across.

5 If the division is closed to new hires, with new hires not covered by MERS Defined Benefit Plan or Hybrid Plan provisions, the amortization period will decrease as follows: Under Amortization Option A, the period will decrease by 2 years each valuation year, until a minimum 5-year amortization is attained. Under Amortization Option B, the period will decrease by 2 years each valuation year, until reaching 15 years. Thereafter, the period will reduce by 1 year each valuation year, until a minimum 5-year amortization is attained. This will result in amortization payments that increase faster than the usual 4.5% each year. If the division is closed to new hires, with new hires (and transfers) covered by MERS Defined Benefit Plan or Hybrid Plan provisions, the standard open division amortization period will apply.

6 For reporting and disclosure purposes under Statement Nos. 25 and 27 of the Governmental Accounting Standards Board, the annual required contribution (ARC) for this division is based on a 30 year level dollar amortization.

7 For linked divisions, the employer will be invoiced the Total Required Employer Contribution rate shown above for each linked division (a contribution rate for the open division; a contribution dollar for the closed-but-linked division), unless the employer elects to contribute the Blended Employer Contribution rate shown above, by contacting MERS at 800-767-2308.

Please see the Comments on the Investment Markets.

Benefit Provisions

Table 2

01 - AFSCME Council: Closed to new hires

	2012 Valuation	2011 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	Benefit B-4 (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	3 years	3 years
Member Contributions:	6.40%	6.40%
Act 88:	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)

02 - Plc. Cmnd. Emp: Open Division

	2012 Valuation	2011 Valuation
Benefit Multiplier:	Bridged Benefit: 2.80% Multiplier (80% max) Frozen FAC; to 2.50% Multiplier (80% max)	2.8% Multiplier (80% max)
Bridged Benefit Date:	06/30/2012	
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	50/25	50/25
Early Retirement (Reduced):	55/15	55/15
Final Average Compensation:	3 years	3 years
Member Contributions:	18.58%	34.81%
Act 88:	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)

Membership Summary

Table 3

Division	2012 Valuation Number	2012 Valuation Annual Payroll[1]	2011 Valuation Number	2011 Valuation Annual Payroll[1]	2012 Valuation Average Age	2012 Valuation Average Benefit Service[2]	2012 Valuation Average Eligibility Service[2]
01 - AFSCME Council							
Active Members	0	$ 0	0	$ 0	0.0	0.0	0.0
Vested Former Members	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	5	52,651	5	52,651	72.6		
02 - Plc. Cmnd. Emp							
Active Members	6	$ 364,636	6	$ 309,897	38.1	13.4	13.4
Vested Former Members	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	9	328,482	9	328,482	62.8		
Total Municipality							
Active Members	**6**	**$ 364,636**	**6**	**$ 309,897**	**38.1**	**13.4**	**13.4**
Vested Former Members	**0**	**0**	**0**	**0**	**0.0**	**0.0**	**0.0**
Retirees and Beneficiaries	**14**	**381,133**	**14**	**381,133**	**66.3**		
Total Particpants	**20**		**20**				

1 Annual payroll for active members; annual deferred benefits payable for vested former members; annual benefits being paid for retirees and beneficiaries.

2 Description can be found under Miscellaneous and Technical Assumptions in the Appendix.

Reported Assets (Market Value)

Table 4

Division	2012 Valuation		2011 Valuation	
	Employer and Retiree[1]	Employee[2]	Employer and Retiree[1]	Employee[2]
01 - AFSCME Council	$ 375,337	$ 0	$ 388,344	$ 0
02 - Plc. Cmnd. Emp	2,516,121	284,762	2,482,116	215,786
Municipality Total	**$ 2,891,458**	**$ 284,762**	**$ 2,870,460**	**$ 215,786**
Combined Reserves	**$ 3,176,220**		**$ 3,086,246**	

1 Reserve for Employer Contributions and Benefit Payments

2 Reserve for Employee Contributions

The December 31, 2012 valuation assets are equal to 1.143563 times the reported market value of assets (compared to 1.205815 as of December 31, 2011). The derivation of valuation assets is described, and detailed calculations of valuation assets are shown, in the Appendix.

Flow of Valuation Assets

Table 5

Year Ended 12/31	Contributions		Investment Income	Benefit Payments	Member Contrib. Refunds	Net Transfers	Valuation Asset Balance
	Employer	Member					
2002	$ 0	$ 0	$ 77,785	$ (109,169)	$ 0	$ 0	$ 2,883,924
2003	5,659	2,009	202,834	(125,607)	0	0	2,968,819
2004	249,163	133,045	221,489	(163,038)	0	0	3,409,478
2005	13,912	7,568	209,757	(183,221)	0	0	3,457,494
2006	14,296	117,982	272,927	(199,929)	0	0	3,662,770
2007	13,441	30,716	296,115	(216,637)	(27,512)	(51,797)	3,707,096
2008	13,515	36,212	148,902	(216,637)	0	0	3,689,088
2009	13,251	34,788	116,854	(247,605)	0	0	3,606,376
2010	89,092	58,984	174,645	(288,616)	0	0	3,640,481
2011	126,976	101,124	184,073	(331,212)	0	0	3,721,442
2012	81,803	68,674	141,423	(381,134)	0	0	3,632,208

Note: Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and member payments for service credit purchases (if any) that the governing body has approved.

Actuarial Accrued Liabilities and Valuation Assets As of December 31, 2012

Table 6

Division	Actuarial Accrued Liability	Valuation Assets[1]	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
01 - AFSCME Council				
Active Members	$ 0	$ 0	0.0%	$ 0
Vested Former Members	0	0	0.0%	0
Retirees And Beneficiaries	446,515	429,222	96.1%	17,293
Pending Refunds	0	0	0.0%	0
Total	**$ 446,515**	**$ 429,222**	**96.1%**	**$ 17,293**
02 - Plc. Cmnd. Emp				
Active Members	$ 743,142	$ 284,762	38.3%	$ 458,380
Vested Former Members	0	0	0.0%	0
Retirees And Beneficiaries	3,481,983	2,918,224	83.8%	563,759
Pending Refunds	0	0	0.0%	0
Total	**$ 4,225,125**	**$ 3,202,986**	**75.8%**	**$ 1,022,139**
Total Municipality				
Active Members	**$ 743,142**	**$ 284,762**	**38.3%**	**$ 458,380**
Vested Former Members	**0**	**0**	**0.0%**	**0**
Retirees and Beneficiaries	**3,928,498**	**3,347,446**	**85.2%**	**581,052**
Pending Refunds	**0**	**0**	**0.0%**	**0**
Total Participants	**$ 4,671,640**	**$ 3,632,208**	**77.8%**	**$ 1,039,432**

1 Includes both employer and member assets.

Please see the Comments on the Investment Markets.

See the MERS Fiscal Responsibility Policy on the MERS website at:
http://www.mersofmich.com/Portals/0/Assets/PageResources/MERS/PlanDocument/Pension/sec_43c.pdf.

Actuarial Accrued Liabilities - Comparative Schedule

Table 7

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities	UAL as Percent of Annual Payroll
1998	$ 4,216,142	$ 4,697,704	111%	$ (481,561)	0%
1999	4,635,449	5,431,497	117%	(796,047)	0%
2000	2,321,121	2,818,013	121%	(496,891)	0%
2001	2,465,044	2,915,308	118%	(450,264)	0%
2002	2,491,651	2,883,924	116%	(392,273)	0%
2003	2,780,200	2,968,819	107%	(188,619)	0%
2004	3,267,995	3,409,478	104%	(141,483)	0%
2005	3,435,995	3,457,494	101%	(21,499)	0%
2006	3,625,641	3,662,770	101%	(37,129)	0%
2007	3,616,007	3,707,096	103%	(91,089)	0%
2008	3,943,773	3,689,088	94%	254,685	75%
2009	4,131,958	3,606,376	87%	525,582	146%
2010	4,350,930	3,640,481	84%	710,449	210%
2011	4,715,575	3,721,442	79%	994,133	321%
2012	4,671,640	3,632,208	78%	1,039,432	285%

Notes: Actuarial assumptions were revised for the 2000, 2004, 2008, 2009, 2010, 2011, and 2012 actuarial valuations.

GASB 25 and GASB 27 Information

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2012 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

GASB 25 Information (as of 12/31/2012)

Actuarial Accrued Liability		
Retirees and beneficiaries currently receiving benefits	$	3,928,498
Terminated employees (vested former members) not yet receiving benefits		0
Non-Vested terminated employees (pending refunds of accumulated member contributions)		0
Current employees -		
Accumulated employee contributions including allocated investment income		284,762
Employer financed		458,380
Total Actuarial Accrued Liability	$	4,671,640
Net Assets Available for Benefits at Actuarial Value	$	3,632,208
(Market Value is 3,176,220)		
Unfunded (Overfunded) Actuarial Accrued Liability	$	1,039,432

GASB 27 Information (as of 12/31/2012)

Fiscal Year Beginning		July 1, 2014
Annual Required Contribution (ARC)	$	55,500[1]

[1] Based on valuation payroll (based on projected fiscal year payroll for divisions that will have no new hires). For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 1, 2014) times the computed employer contribution rate(s) shown in Table 1. The ARC shown here is the sum of the ARC's calculated separately for each division.

GASB 27 Information (Used in the 12/31/2012 Annual Actuarial Valuation)

Amortization Factors Used to Compute Employer Contribution Requirements
Used for Funding Calculations and Most ARC Calculations (see below)
(Payments Increase 4.5% per Year)

Amortization Factor Used - Underfunded or Overfunded Liabilities (5 years)	0.221706
Amortization Factor Used - Underfunded or Overfunded Liabilities (6 years)	0.187731
Amortization Factor Used - Underfunded or Overfunded Liabilities (7 years)	0.163488
Amortization Factor Used - Underfunded or Overfunded Liabilities (8 years)	0.145330
Amortization Factor Used - Underfunded or Overfunded Liabilities (9 years)	0.131227
Amortization Factor Used - Underfunded or Overfunded Liabilities (10 years)	0.119963
Amortization Factor Used - Underfunded or Overfunded Liabilities (11 years)	0.110763
Amortization Factor Used - Underfunded or Overfunded Liabilities (12 years)	0.103112
Amortization Factor Used - Underfunded or Overfunded Liabilities (13 years)	0.096652
Amortization Factor Used - Underfunded or Overfunded Liabilities (14 years)	0.091128
Amortization Factor Used - Underfunded or Overfunded Liabilities (15 years)	0.086353
Amortization Factor Used - Underfunded or Overfunded Liabilities (16 years)	0.082185
Amortization Factor Used - Underfunded or Overfunded Liabilities (17 years)	0.078519
Amortization Factor Used - Underfunded or Overfunded Liabilities (18 years)	0.075270
Amortization Factor Used - Underfunded or Overfunded Liabilities (19 years)	0.072372
Amortization Factor Used - Underfunded or Overfunded Liabilities (20 years)	0.069773
Amortization Factor Used - Underfunded or Overfunded Liabilities (21 years)	0.067430
Amortization Factor Used - Underfunded or Overfunded Liabilities (22 years)	0.065308
Amortization Factor Used - Underfunded or Overfunded Liabilities (23 years)	0.063378
Amortization Factor Used - Underfunded or Overfunded Liabilities (24 years)	0.061616
Amortization Factor Used - Underfunded or Overfunded Liabilities (25 years)	0.060002
Amortization Factor Used - Underfunded or Overfunded Liabilities (26 years)	0.058519

Amortization Factor Used to Compute the GASB Annual Required Contribution (ARC)
For Divisions that are Closed to New Hires
(and new hires are not covered by MERS DB or Hybrid provisions in a linked division)
If Division is Less than 100% Funded, and Uses a Funding Period over 15 Years

Amortization Factor Used - Underfunded Liabilities (30 year level $)	0.085453

Assumptions: Continuous Payments; Interest at 8% Per Year

Benefit Provision History

The following benefit provision history is provided by MERS. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to MERS. All provisions are listed by date of adoption.

01 - AFSCME Council

2/1/1996	Member Contribution Rate 6.40%
1/1/1996	Member Contribution Rate 9.90%
10/1/1995	10 Year Vesting
10/1/1995	Benefit FAC-3 (3 Year Final Average Compensation)
10/1/1995	Benefit B-4 (80% max)
10/1/1995	Member Contribution Rate 6.00%
10/1/1995	Benefit F55 (With 25 Years of Service)
10/1/1995	Fiscal Month - July
7/20/1964	Covered by Act 88

02 - Plc. Cmnd. Emp

7/1/2012	Benefit B-4 (80% max)
7/1/2012	Member Contribution Rate 14.55%
6/30/2012	Frozen FAC
7/1/2011	Member Contribution Rate 21.87%
7/1/2010	Member Contribution Rate 17.47%
7/1/2009	Member Contribution Rate 10.15%
7/1/2008	Member Contribution Rate 10.87%
7/1/2007	Member Contribution Rate 10.56%
7/1/2006	Member Contribution Rate 7.61%
7/1/2005	Member Contribution Rate 2.03%
7/1/2004	Member Contribution Rate 2.32%
7/1/2003	2.8% Multiplier (80% max)
7/1/2003	Member Contribution Rate 1.42%
3/1/1997	10 Year Vesting
3/1/1997	Benefit FAC-3 (3 Year Final Average Compensation)
3/1/1997	Benefit B-4 (80% max)
3/1/1997	Member Contribution Rate 0.00%
3/1/1997	Benefit F50 (With 25 Years of Service)
10/1/1995	Fiscal Month - July
7/20/1964	Covered by Act 88

Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix. Some actuarial assumptions are specific to this municipality and its divisions. These are listed below.

Increase in Final Average Compensation

Division	FAC Increase Assumption
All Divisions	4.00%

Withdrawal Rate Scaling Factor

Division	Withdrawal Rate Scaling Factor
All Divisions	100%

Miscellaneous and Technical Assumptions

Loads – None.

Amortization Policy for Closed Divisions

Closed Division	Amortization Option
All Closed Divisions	Option A

HISTORIC FACILITIES PROJECT DIRECTOR

GENERAL STATEMENT OF DUTIES: Part-time position with the City of Owosso (working less than 30 hours per week). The director is expected to adequately staff Curwood Castle during specified hours and on other days as appropriate and in conjunction with the Owosso Historical Commission. Fulfill the City Charter's mission and financial objectives by providing leadership and creative vision for the planning, growth, and administration of all operations of the Owosso Historical Commission (OHC).

SUPERVISION RECEIVED: Work is performed under the direction of the city manager and in conjunction with the OHC's annual goals and objectives.

TYPICAL EXAMPLES OF WORK:

- Serve as the primary liaison for the public and the OHC, promoting a positive image of the properties and history of Owosso in all interactions and activities.
- Work closely with the OHC to develop and implement strategic goals and objectives.
- Plan and manage the financial affairs in accordance with the City of Owosso's annual budgeting process and to assist the OHC in their annual goals and objectives while adhering to proper financial procedures and accountability. Monthly reporting will be required.
- Direct and manage the day-to-day operations & maintenance of the facilities, equipment & security in conjunction with the City of Owosso's DPW.
- Develop and implement operating policies to ensure that the facilities are working in an efficient manner.
- Serve as staff representative with the OHC.
- Develop an agenda for meetings of the OHC with the help of the chairperson and must attend all monthly meetings.
- Work closely with the commission in developing and implementing short-term operational and long-term strategic plans and goals.
- Conduct volunteer recruitment activities in conjunction with the OHC.
- Provide leadership and opportunities for city and commission to be exposed to new trends and ideas in the historic properties/museum field.
- Conduct tours and presentations as needed.
- Ensure the application of adopted policies and procedures regarding operating hours, visitor/employee safety, comfort and accessibility.

Long Term Work Examples:

- Lead and actively participate in all development activities including personal solicitations, capital campaigns and fundraising events.
- When possible actively research and write grants.
- Provide creative vision and leadership for programs including curatorial and educational activities.
- Develop a familiarity with city historical collections, including collection care and programs.
- Provide leadership and encouragement for Curwood Castle's continued and expanded use of innovative and engaging display, presentation and interpretation techniques to appeal to all audiences.
- Ensure that educational programs are developed and maintained which are responsive to the needs of clientele.

DESIRABLE QUALIFICATIONS FOR EMPLOYMENT:

- Excellent computer, communication, public speaking and writing skills.
- Ability to pursue fundraising and grant writing.
- Ability to inspire, lead and manage staff and volunteers.
- Ability to work closely and effectively with city support staff.
- Ability to develop and implement long-range plans.

JOB REQUIREMENTS:

An employee in this position, upon appointment, should have the equivalent of the following training and experience:

- Undergraduate degree or equivalent experience in a closely related field.
- Strong understanding and achievement in museum and/or non-profit management.
- Solid business and financial management experience.
- Expertise in crafting public/private partnerships.

PHYSICAL DEMANDS

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee is frequently required to walk and talk or hear. The employee is occasionally required to sit; use hands to operate, finger, handle, or feel objects, tools, or controls; and reach with hands and arms.

The employee may occasionally lift and/or move up to 25 pounds. Specific vision abilities required by this job include close vision and the ability to adjust focus.

WORKING ENVIRONMENT

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The noise level in the office work environment is usually quiet in the office and moderately noisy in the field.

Property Budgets:

Gould House--This is property which the city holds which must be maintained. The second floor includes two revenue generating apartments and the first floor contains historic space, sometimes referred to as the museum. A budget for the Gould House is generally as follows:

Revenue		City of Owosso	Owosso Historical Commission
	Apartment rentals	$15,200	
	First floor rentals	$0	$1000
	Other	$0	
Total revenue		$15,200	$1000
Expenses			
	Insurance	$750	
	Gas and electricity	$5,500	
	Water and sewer	$450	
	Telephone and cable	$1,250	
	Garbage and rubbish	$175	
	Grounds maintenance	$2,000	
	Building maintenance	$1,000	
	Major maintenance	$0	
	Other	$0	
	Other		
Total expenses		$11,125	$0
Balance		$4,075	$1,000

Curwood Castle--This includes maintaining the Castle and basic operating expenses to maintain the structure, the Cabin and the Paymaster Building.

Revenue		City of Owosso	Owosso Historical Commission
	City Appropriation	$10,600	
	Other	$0	
Total revenue		$10,600	
Expenses			
	Personnel	$0	
	Insurance	$825	
	Gas and electricity	$5,000	
	Water and sewer	$300	
	HVAC maintenance	$1,475	
	Building maintenance	$1,000	
	Major maintenance	$2,000	
	Other	$0	
Total expenses		$10,600	
Balance		$0	

Operations--This covers the day-to-day expenses, events and the operation of the castle.

Revenue		City of Owosso	Owosso Historical Commission
	Castle visitor donations	$0	$7,500
	Castle rentals	$0	$,1200
	Castle product sales	$0	$3,000
	Donations and gifts	$0	TBD
	Interest on endowment	$0	$325
	Home tour	$0	$10,000
	Fundraiser	$0	TBD
	Membership / Sponsors	$0	$3,000
	City Appropriation	$26,000	
Total revenue		$26,000	$25,025
Expenses			
	Director / Docents	$26,000	$0
	Additional Docents	$0	$10,000
	Preservation materials	$0	$5,000
	Displays	$0	$1500
	Telephone and cable	$0	$0
	Home tour	$0	$4,000
	Fundraiser	$0	$0
	Items for resale	$0	$1,500
	Other	$0	$0
Total expenses		$26,000	$22,000
Appropriations		$36,600	
Total:		$4,075	$4,025

- The OHC budget will grow as a direction for Gould/Paymaster/Comstock are expanded and fundraising allows. These expenses represent primarily Curwood Castle expenditures.

- The Budget represents a year 1 analysis
- The $4075 should be reserved for long term care of all properties similar to the Vehicle Fund.
- Long Term care of the Gould House will include painting and repairing of the exterior of the building, some painting inside. Potentially new restrooms.